

Full Cost Accounting

The Big Questions

- Do you know how much your solid waste program really costs?
- Is it cost-effective?
- Is it sustainable in the long term?

Why Is Cost Information Important?

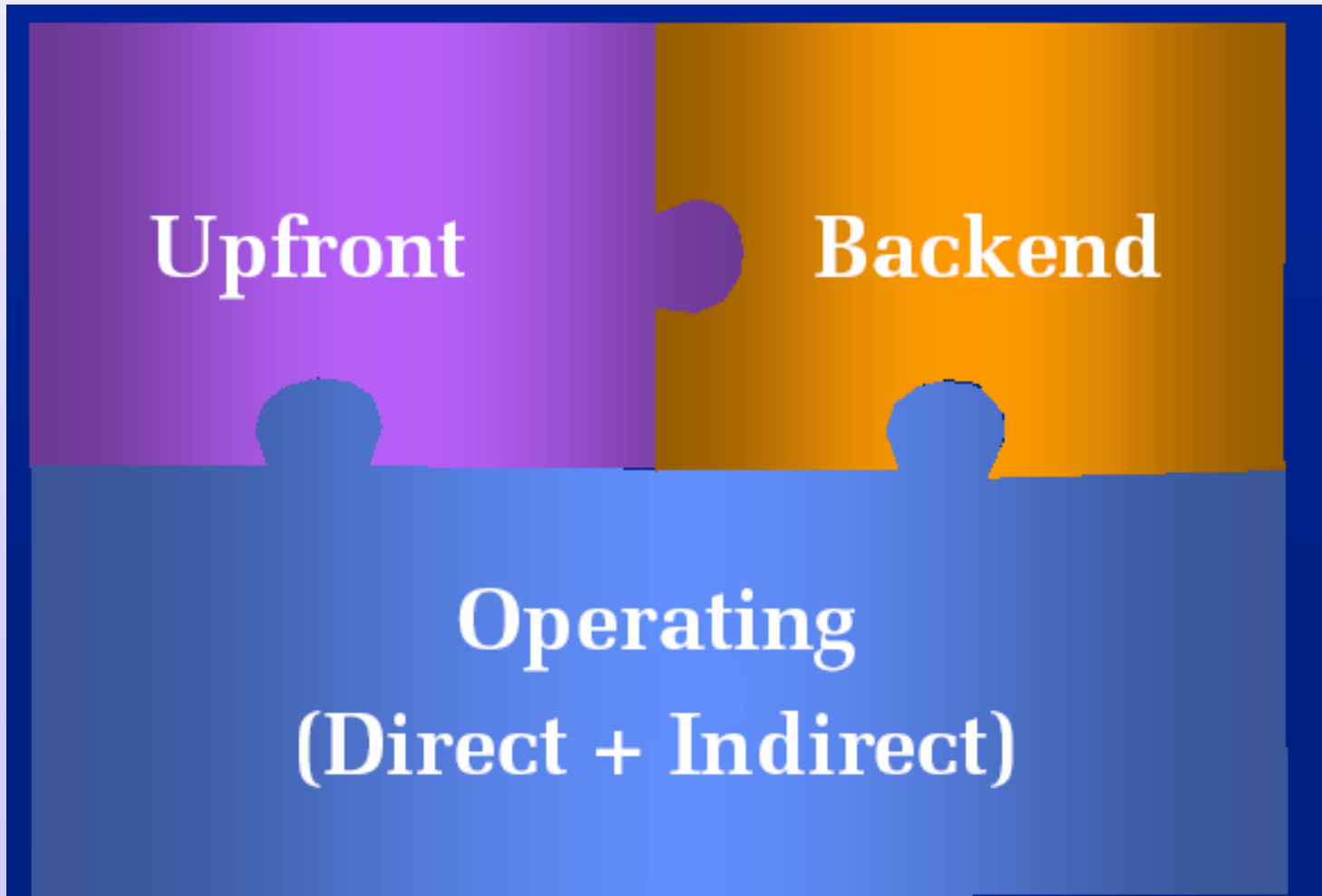
- **Make informed decisions about programs/services**
- **Improve efficiency**
- **Better prepare/plan for the future**

Full Cost Accounting
=
Full Information

What Is Full Cost Accounting?

- No official definition
- Not strictly an accounting issue but requires accounting inputs
- Working definition: *Systematic approach for identifying and characterizing the cost of providing solid waste management services*

What Are the "Full Costs"?



FCA Does Not Equal TCA

“True cost accounting”

=

FCA costs

**Environmental
costs**

+

Social costs

Health costs

FCA Vs. Cash Flow Accounting

All resources used or committed

VS.

Current outlays of cash

Uses of Full Cost Accounting

- Making decisions
- Planning and setting goals
- Evaluating program
- Educating citizens
- Negotiating with vendors

Barriers to Full Cost Accounting

- **Political opposition**
- **Resistance from private sector**
- **Lack of standardized methodology**
- **Accounting system changes**
- **Cost allocation**

FCA in Practice

- **Mandated FCA:**
 - Florida
 - Indiana
 - Georgia
 - North Carolina
- **Voluntary FCA:**
 - Larimer County, Colorado
 - Phoenix, Arizona
 - Shawnee County, Kansas
 - Houston, Texas
 - Bethel, Maine

FCA in Practice

Phoenix, Arizona:

- **Provides best service for least cost**
- **City bids with private companies for waste management services**
- **Purchased better equipment**
- **Extended life of landfill**
- **Made program more cost-effective, especially in times of recession**

FCA in Practice

Palm Beach County, Florida:

- **Tracks and analyzes project activities**
- **Makes long-term projections**
- **Evaluates trends in costs**
- **Assesses and changes rates when necessary**

FCA in Practice

Franklin, Indiana:

- **Realized unseen costs**
- **Implemented streamlining actions such as contracting out waste services**
- **Started a curbside recycling program**

FCA in Practice

Bethel, Maine:

- Re-evaluated fees charged to residents for municipal services
- Adjusted fees to cover the true cost of services

Why FCA?

- Promote good management practices
- Help communities control waste
- management costs
- Encourage unit-based pricing and
- enterprise funds

What do we look at in FCA?

- **Salaries and wages**
- **Employee benefits**
- **Purchased professional and technical services**
- **Purchased Property Services**
 - **Utility**
 - **Cleaning**
 - **Repairs and maintenance**
 - **Rentals**
 - **Construction**

What do we look at in FCA?

- **Other purchased services**
 - Insurance
 - Printing
 - Travel?
- **Supplies**
 - General
 - Energy
 - Books and periodicals
 - Food

What do we look at in FCA?

- **Property**
 - Land
 - Buildings
 - Other improvements
 - Machinery and equipment
 - Vehicles
- **Closure Costs**
- **Remediation and testing**

What do we look at in FCA?

- **Disposal costs**
- **Recycling income**
- **Cost avoidance**
- **Transportation**
- **Depreciation of equipment and vehicles**
- **Communications**

Hidden Costs

- **Consider the cost of road maintenance within the facility**
- **Shared equipment needs to be allocated**
- **Don't forget permits and licenses**
- **Don't forget training costs**

Hidden Costs

- Clerical
- Data Processing
- Legal
- Payroll
- Personnel
- Records Management
- Costs of membership

What to do with the info

- **Tell people**
 - What does solid waste management cost the community?
 - How much cash must be raised to cover costs?
 - What does recycling cost?
 - How much money does recycling save?
 - Why does (fill in the blank) cost so much?
 - Which way are the costs going?
 - What can people do to reduce the cost?

What to do with the info?

- **Make purchase decisions**
 - How long will it take to pay back a bailer, etc?
- **Where can I get the most cost reduction?**
- **Comparison shop**

Unit-Based Pricing and Enterprise Funds

- **Unit-based pricing:**
 - “Pay as you throw”
 - Establishes equitable rates
- **Enterprise funds:**
 - Run municipal services like private business
 - Account for all costs, no matter how small

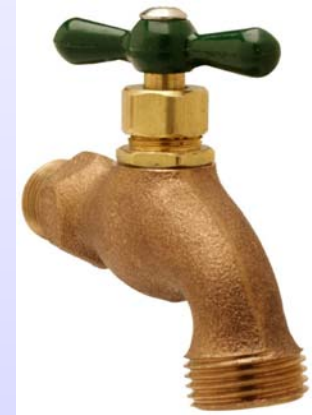
Services



An early telephone design.



Why Not?



Unit Pricing

- **Unit Pricing allows people to pay ONLY for the services they use**
- **Unit Pricing rewards good behavior**

Does Unit Pricing Work?

- 7 out of the top ten recycling towns and cities in the state have Unit Pricing
- The 41 towns with Unit Pricing have recycling rates at least 1/3 higher than the rest of the state
- The top 3 towns have Unit Pricing

FCA Summary

- The more you know about the cost of solid waste, the better you can plan
- The more you understand your costs, the better you can explain your budget at town meeting
- Solid waste is big business. You need to be able to deal with and compete with the big players.